



Minnesota Gambling Control Board

GAMING NEWS

July/August/September 2013

Director's Column Tom Barrett, Executive Director

Gambling Control Board

William Goede, Chair
(Plainview)

Committee: Executive

Norm Pint, Vice-Chair
(New Prague)

Committees: Executive;
CRG (chair)

William Gillespie,
Secretary (St. Paul)

Committees: Executive;
Legislative (chair); CRG

Geno Fragnito (Woodbury)

Committees: Legislative;
Rules (chair)

Susan McCarville (Hopkins)

Committees: CRG; Rules

James Nardone

(Grand Rapids)

Committees: Legislative;
Rules

Kenneth Koch (Eagan)

Committees: TBD

Monthly Board meetings are open to the public and are held at:

Gambling Control Board
Suite 300 South
1711 W. County Road B
Roseville, Minnesota

Meetings start at
10:00 a.m.

Monday, August 19, 2013
Monday, September 16, 2013
Monday, October 21, 2013
Friday, November 22, 2013*
Monday, December 16, 2013

Agendas are posted at:
www.gcb.state.mn.us

* In conjunction with
the ACM Convention in
Rochester

Welcome Kenneth Koch

The Gambling Control Board is pleased to welcome new member Kenneth Koch. Mr. Koch is from Eagan, Minnesota, and brings a background and some knowledge of charitable gaming with his involvement with local charity (Funfest, Eagan). Mr. Koch replaces Robert Hyde, whose term expired in June.

Annual Reporting Made Easier

Good news for organizations! Lawful gambling organizations no longer have to prepare and file an annual report with the Gambling Control Board. The Board will be producing a one-page organization annual report based on an organization's monthly Schedules A, C, and F filings. See page 4 for more information.

Don't Believe Everything You See in the News....

The media has certainly focused on the less-than-stellar rollout of the new electronic games. While the total number of actual participating sites is far fewer than expected, there are shining examples of phenomenal sales at some of the locations. Additionally, total gross receipts from all charitable gaming in fiscal year 2013 are projected to be approximately 8% ahead of last fiscal year—another positive indicator for the industry.

According to the Department of Revenue, charities that have gotten into electronic gambling have seen an average increase of 23% in gross receipts. Take a look at the graphs on page 3 showing sales activity before and after electronic games were added to the mix—the graphs speak volumes. And numbers at the top ten electronic pull-tab sites are well above original projections.

Many organizations are hesitant to enter the electronic gaming format. Some worry about reporting requirements and regulations. Reporting electronic games is actually simpler than reporting paper games as explained at the recent series of "road shows" conducted by representatives from Allied Charities of Minnesota (ACM). Staff from the Gambling Control Board, Department of Revenue, and the Alcohol and Gambling Enforcement Division all participated in these educational seminars. We encourage organizations who would like to get into electronics to seek out information from various distributors; you may be surprised at just how easy it is.

July Top Ten Electronic Pull-Tab Sales

Site	Charity	Gross	Prizes	Net
Porky's Bar, St. Paul	MLBA Children's Fund	\$78,820	\$68,248	\$10,572
Recreation Lanes, Rochester	Community Charities of MN	\$55,268	\$47,290	\$7,977
Fabulous Ferns, St. Paul	AM Vets Post 1	\$55,058	\$47,729	\$7,328
Valley Lounge, Eagan	AM Vets Post 1	\$48,091	\$43,364	\$4,727
The Phat Pheasant, Windom	Prairie Ecology Bus Center	\$45,905	\$38,903	\$7,003
Mully's on Madison, Mankato	Prairie Ecology Bus Center	\$41,633	\$33,387	\$8,247
Roosevelt Bar, Eveleth	Climb Theatre, Inc.	\$40,248	\$36,837	\$3,411
Lucky's 13, Bloomington	AM Vets Post 1	\$33,384	\$29,776	\$3,607
Shiprex, Burtrum	Grey Eagle Burtrum Lions Club	\$33,078	\$29,504	\$3,574
Harry's Bar, Hill City	Hill City Lions Club	\$31,784	\$25,223	\$6,561

Continuing Education Classes

September Topic:

Common Issues in the
Conduct of Electronic
Games

*Preregistration is not
required to attend.*

*Classes are **free** and open
to the public.*

9/16/13	7:00 pm	Gambling Control Board, Suite 300 South (use south doors) 1711 W. County Road B, Roseville
9/18/13	7:00 pm	MN State Community & Tech. College, C101 Auditorium 900 Hwy. 34 East, Detroit Lakes (park on south side of campus; use entrances S2 & S3)
9/24/13	7:00 pm	Best Western Kelly Inn, Congress/Senate Room 100 4th Ave. South, St. Cloud (park in south lot along Hwy. 23 or east lot along river)
9/25/13	7:00 pm	Hibbing Memorial Building, Dining Room 400 East 23rd Street, Hibbing
9/25/13	7:00 pm	Ramada Inn, Grand C Room 1517 16th Street SW, Rochester
9/26/13	7:00 pm	MN West Community & Technical College, Room Y-101 401 West St., Jackson

October Topic:

Common Issues in the
Conduct of Electronic
Games

*Gambling managers must
attend at least one class
each calendar year.*

10/10/13	7:00 pm	Best Northland Prairie Inn, Cougar Room 200 Hwy. 28 East, Morris
10/14/13	2:00 pm	Best Western Kelly Inn, Congress/Senate Room 100 4th Ave. South, St. Cloud (park in south lot along Hwy. 23 or east lot along river)
10/16/13	2:00 pm	Gambling Control Board, Suite 300 South (use south doors) 1711 W. County Road B, Roseville
10/16/13	7:00 pm	Baxter Country Inn & Suites, Meeting Room 15058 Dellwood Dr., Baxter
10/17/13	7:00 pm	South Central College, Conference Center A 1920 Lee Boulevard, North Mankato (park in Blue Lot on north side of bldg., use Door 15)
10/18/13	7:00 pm	Riverland Community College, West Campus, Room A106 1900 8th Ave NW, Austin (park in north lot & enter W3 north entrance)

November Topic:

Conduct of Paper
Pull-Tabs

11/5/13	7:00 pm	Best Western Kelly Inn, Congress/Senate Room 100 4th Ave. South, St. Cloud (park in south lot along Hwy. 23 or east lot along river)
11/6/13	7:00 pm	Cloquet Forestry Center, Auditorium 175 University Road, Cloquet
11/6/13	7:00 pm	Gambling Control Board, Suite 300 South (use south doors) 1711 W. County Road B, Roseville
11/6/13	7:00 pm	The Plaza Hotel, Rosewood II Room 1025 Hwy. 61 East, Winona

December Topic:

Common Issues in the
Conduct of Electronic
Games

*Be sure to check our website
for class updates:*

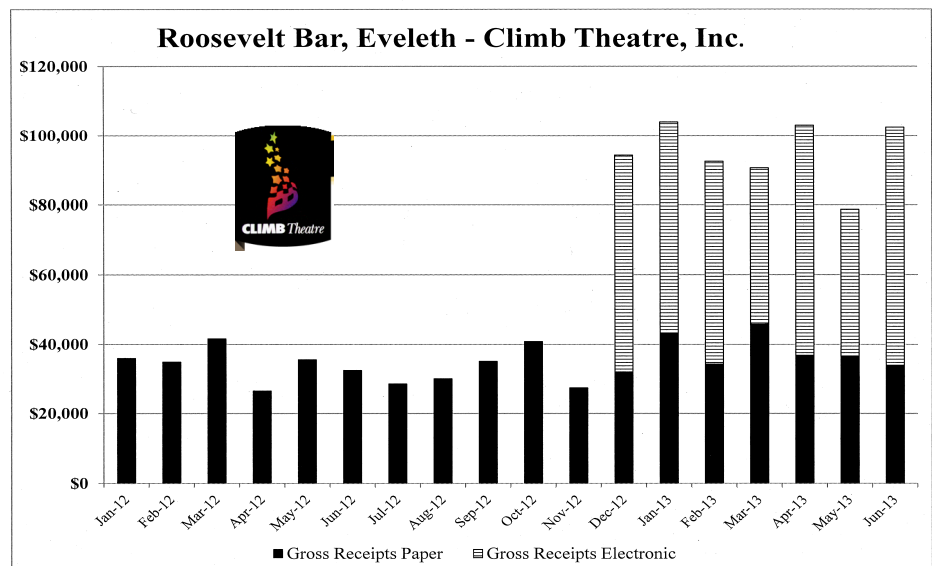
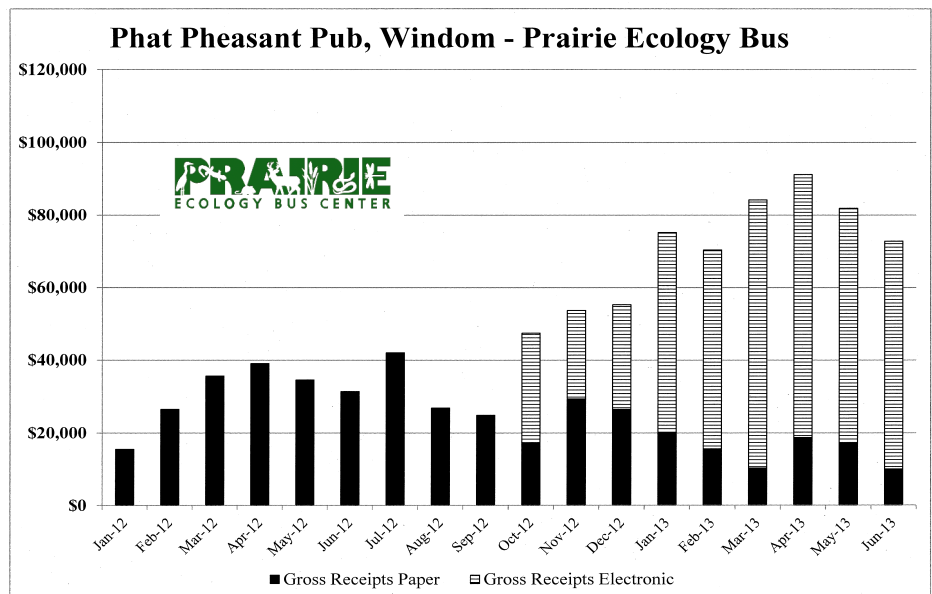
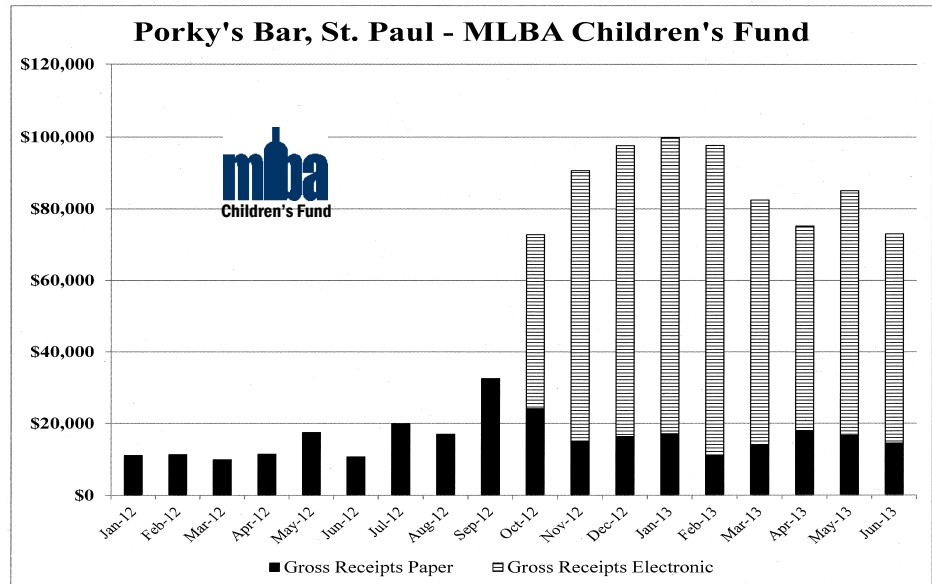
www.gcb.state.mn.us

12/9/13	2:00 pm	Gambling Control Board, Suite 300 South (use south doors) 1711 W. County Road B, Roseville
12/10/13	2:00 pm	South Central College, Conference Center A 1920 Lee Boulevard, North Mankato
12/11/13	2:00 pm	AmericInn Lodge & Suites, Fergus Falls Room 526 Western Avenue, Fergus Falls
12/11/13	2:00 pm	Hibbing Memorial Building, Dining Room 400 East 23rd Street, Hibbing
12/13/13	2:00 pm	Best Western Kelly Inn, Room University B 100 4th Ave. South, St. Cloud (park in south lot along Hwy. 23 or east lot along river)
12/30/13	2:00 pm	Gambling Control Board, Suite 300 South (use south doors) 1711 W. County Road B, Roseville

Sales Activity Before and After Electronic Games

*Not sure about
electronic
gaming?*

*Look what it's
doing for these
charities!*



▨ Gross Receipts Electronic
■ Gross Receipts Paper

New!**Organization Annual Report No Longer
Required to Be Submitted****Attention!**

Your organization no longer needs to file an Organization Annual Report form by September 1 with the Gambling Control Board. The Board will produce the annual reports based on the Schedules A, C, and F information submitted by organizations each month during the past year.

The new organization annual report shows your organization's annual stats at a glance—everything on one page, from annual gross receipts to net profits to lawful purpose expenditures to your star rating. A sample of the one-page annual report is displayed below.

A copy of your organization's annual report will be mailed to your organization's CEO by November 1.

Reminder**E-file your July 2013 Schedules A, C, & F
by August 20**

As a reminder, July Schedules A, C, and F are due August 20. For instructions on e-filing your organization's Schedule A (Receipts and Expenses by Site), Schedule C (Lawful Purpose Expenditures), and Schedule F (Lawful Gambling Fund Reconciliation) with the Gambling Control Board, go to www.gcb.state.mn.us. Under "Quick Links" click on "GCB Monthly Reports".

Revised versions of the Schedules A, C, and F files are now available on the website. The changes only affect the "GCB Use" page. None of the changes will affect your organization or the format in which software providers submit information to the Gambling Control Board.

Remember to download a new version when completing your July 2013 reports. If you have questions, contact your Compliance Specialist.

ORGANIZATION ANNUAL REPORT - Fiscal Year 2013

License Number: 0

American Legion Post

Star Rating: ★★★★★

		<u>% of Gross Receipts</u>		<u>% of Gross Profits</u>
Gross Receipts	\$2,888,861	100.00%	Gross Profit	\$450,787 100.00%
Prizes Paid	\$2,438,074	84.40%	Charitable Expenditures	\$28,351 6.29%
Gross Profit	\$450,787	15.60%	Other Lawful Purposes	\$46,579 10.33%
Allowable Expenses	\$202,284	7.00%	Taxes and Fees	\$133,245 29.56%
Net Profit	\$248,503	8.60%	Total Lawful Purpose Expenditures	\$208,175 46.18%

Sample

<u>Lawful Purpose Code Description</u>	<u>Lawful Purpose Code</u>	<u>Annual Total</u>
to and by 501(c)(3) organizations or 501(c)(4) festival organizations	A1	\$12,300
relieving the effects of poverty, homelessness, or disability	A2	\$1,638
program for education, prevention, or treatment of problem gambling	A3	\$100
scholarships	A5	\$4,550
recognition of military service	A6	\$610
youth activities	A7	\$5,153
local, state, and federal taxes on gambling	A8	\$14,347
real estate taxes on owned gambling premises	A9	\$21,286
unit of government	A10	\$4,000
utilities for owned veterans or fraternal building used as primary headquarters	A16	\$22,954
membership events for licensed veterans organizations	A17	\$1,740
gambling license fees	A18	\$600
repair, maintenance, or improvement of real property or capital assets	A22	\$400
contribution to nonlicensed 501(c)(19)	A26	\$200

"Charitable Expenditures" include: Codes A1 - A7, A10 - A15, and A19

"Other Lawful Purposes" include: Codes A9, A16, A17, and A20 - A26

"Taxes and Fees" include: Codes A8, A18, Board fee, and state taxes on gambling gross profits

Minnesota Gambling Control Board
7/19/2013

Compliance Review Group (CRG) Report

The CRG, a committee of the Gambling Control Board, meets with licensees to conduct informal inquiries into alleged violations of lawful gambling statutes and rules. This information is a condensed report of recently completed CRG conferences. Penalties imposed are based on specific and unique information reviewed for each licensee.

Waverly Lions Club, License 02508 Organization failed to: <ul style="list-style-type: none"> • maintain accurate inventory systems and reconcile monthly; • deposit gambling receipts within four business days; • file accurate information; • maintain sufficient supporting documentation of expenditures; • maintain sufficient internal controls; • reconcile profit carryover with its cash balance, accurately report pull-tab games, correctly complete prize receipt forms, and maintain asset, liability, and fund balance records; • conduct compliant raffles; • timely meet with Board staff to conduct a post-compliance review and provide documents to verify required corrective action completed; • conduct lawful gambling with sufficient supervision of a licensed gambling manager. 	\$2,000 fine; file Corrective Action Plan; resolve all issues with Revenue audit; focused Compliance Review.
American Legion Post 89, Blue Earth, License 00437 Organization failed to: <ul style="list-style-type: none"> • present complete monthly reports to members; • obtain allowable expense approval from members; • maintain complete records, sufficient internal controls, or accurate inventory systems; • reconcile records on a monthly basis; • maintain sufficient record of expenditures; • complete monthly bank reconciliation corresponding to profit carryover and reconcile profit carryover with cash balance; • file accurate information; • make gambling-related expenditures. 	\$1,500 fine; file Corrective Action Plan; resolve all issues in the Compliance Review report; focused Compliance Review.
American Legion Post 212, Park Rapids, License 00220 <ul style="list-style-type: none"> • Organization failed to maintain sufficient internal controls and did not deposit gambling receipts into the gambling bank account. 	\$2,000 fine; file Corrective Action Plan; focused Compliance Review.
Hopkins Raspberry Festival Association, Hopkins, License 02297 <ul style="list-style-type: none"> • Organization failed to expend a minimum of 30% of its gross profits for lawful purposes in FY 2011 and FY 2012. 	\$1,000 fine.
Douglas Press, Bellwood, IL, License MA004 <ul style="list-style-type: none"> • Manufacturer shipped into Minnesota a deal of pull-tabs which failed to contain all the winning tickets. 	\$1,000 fine; file Corrective Action Plan; must have no same or similar violations.
American Legion Post 14, Bemidji, License 00309 <ul style="list-style-type: none"> • Organization failed to pay or appeal citation within 30 days of receipt, and failed to notify the Board of officer changes. 	\$500 fine; focused Compliance Review within one year.

The following organizations failed to complete and file annual audits:

- Oronoco Firefighters Relief Association, License 03329 (FY ending December 2011); \$500; file required audit.
- Benson Hockey Association, License 01823 (FY ending December 2011); \$250.
- Elks Lodge 414, Austin, License 00842 (FY ending March 2012); \$500.
- Cormorant Lakes Sportsman's Club, Audubon, License 00594 (FY ending March 2012); \$500; file required audit.
- Cloquet Amateur Hockey Association, License 01224 (FY ending March 2012); \$250.
- American Legion Post 48, Stillwater, License 00903 (FY ending April 2012); \$250.
- Lakeville Hockey Association, License 02059 (FY ending June 2012); \$250.
- VFW Post 4955, Appleton, License 00098 (FY ending June 2012); \$250.

Citations Paid

Citation amounts for similar violations may vary depending on unique circumstances and information and are issued on a case-by-case basis.

Licensee	Violation	Amount
International Gamco, Inc., Omaha, NE License MA010	Produced, sold, and shipped pull-tab deals that did not comply with Minnesota Rules.	\$1,000
Hayfield Fire Relief Association License 02807	Conducted gambling without a licensed gambling manager.	\$550
American Legion Post 299, Mabel License 00208	Failed to provide information and documentation.	\$500
Burnsville Hockey Club, License 04433	Gambling conducted without off-site permit.	\$200
Incarnation Church of Minneapolis License 00639	Failed to retain required paddlewheel video coverage.	\$100
Redwood Area Hockey Association License 04345	Removed last-sale prize sticker from game flare.	\$100
American Legion Post 216, Princeton License 00241	Paid licensing fees from general account.	\$50
American Legion Post 523, Golden Valley, License 00991	Checks repeatedly not signed by two active members.	\$150
Willow River Commercial Club License 02353	Conducted gambling without a licensed gambling manager.	\$450
American Legion Post 60, Grand Rapids License 00287	Failed to provide documentation that violations have been corrected.	\$350
Osakis Economic Development Corp. License 02080	Failed to pay gambling-related expense from gambling account.	\$50
North Branch Area Hockey Association License 04335	Failed to maintain internal controls sufficient to reduce excessive cash shortages.	\$250
American Legion Post 89, Blue Earth License 00437	Non-gambling funds were erroneously used to pay licensing fees.	\$50

Failed to file Lawful Gambling Schedules A, C, and F with the Board:

- Elks Lodge 133, Duluth, License 01001, \$300
- Nevis Fire Persons Relief Association, License 02173, \$100
- Moose Lodge 1302, Proctor, License 00346, \$50

Failed to pay annual licensing fees within required timeframe:

- Lions Club of Waconia, License 32393, \$100
- American Legion Post 2, Shakopee, License 00466, \$100

Check not signed by two active members:

- Lakeview Booster Club, Wood Lake, License 35466, \$50
- American Legion Post 620, Hugo, License 00905, \$50
- Montevideo Fire Relief Association, License 02965, \$50

Gambling manager failed to attend a continuing education class in CY 2012:

- Preston Servicemen's Club, License 01004, \$100
- Columbia Club of Moorhead, License 00431, \$100

Failed to file annual financial summary for FY 2012:

- American Legion Post 14, Bemidji, License 00309, \$300

Failed to meet minimum lawful purpose expenditure percentage for FYs 2011 and 2012:

- Baseball Association 191, Burnsville, License 05455, \$1,000
- VFW Post 6587, Spring Lake Park, License 00027, \$350

Q Are 50/50 raffles allowed?

These are raffles for which 50% or any other percentage of the gross receipts from the sale of tickets are awarded as prizes for the raffle.

A Yes, 50/50 raffles are allowed.

Percentage of receipts prizes for raffles are not specifically disallowed by Minnesota Statutes, Chapter 349, or Minnesota Rules, Part 7861, and are therefore allowed. The ticket should clearly state the percentage of gross receipts to be awarded as a prize. Prior to the drawing, the gross receipts must be tallied and the prized amount announced.

Rules Update

After three Public Advisory Committee meetings and extensive review and comment on the Board's proposed rules, the Gambling Control Board's Rules Committee met on July 24, 2013, to review the proposed rules draft. Public comment was held and amendments were made. The draft was accepted and referred to the full Board for review. A summary of the proposed rules:

- The primary focus of the rules process was electronic gaming, and a previously approved set of standards was used as our guide. While still viable and extremely useful, those standards have been extensively reviewed and refined, and are included in the proposed rules.
- Rules for paper games have been separated from electronic games for readability.
- Standards for electronic paddlewheel devices have been included, which were provided for in law a couple of years ago. Currently no manufacturers offer the electronic device, but there was expressed interest from the industry to create standards.
- The statutory player ID requirement for the use of electronic devices has been clarified in the proposed rules. This is an issue in the industry where the law requires validation and registration for who has a device while it's in play. Operationally it's been of concern for the industry, but some minimal information, including the 30-day record retention requirement, has been incorporated. Record review will aid in any investigation or allegation of a user tampering with a device. Any removal of the ID requirement will require a law change.
- Electronic conversion of paper records, with the exception of unsold tickets and prize receipt winners, is proposed.
- Seeding of progressive jackpots has been clarified; vendors have expressed an interest in stimulating the start of a jackpot.
- Background checks have been expanded to encompass more people who have a hand in designing, manufacturing, and accessing electronic gaming systems.
- Language to allow multiple prizes for paddlewheel spins has been added.
- Technical changes have been made, such as changing "video" to "digital" for recording some of the paddlewheel activity.
- Some of the limitations related to bingo coupons have been removed.
- Procedures have been added in the event of defective electronic games.
- Electronic operational payments options have been clarified.
- Language has been added to clarify 50/50 raffles.
- Clarifications have been made to equipment testing by independent testing labs.
- Something not addressed is you pick 'em games, a multi-seal board game. Board staff did meet with industry representatives, and received and tested product samples. The bottom line is that we cannot assure that those games would be played with the same integrity as the other lawful gambling games.
- Legislative changes have been incorporated, including the four-day deposit requirement change and the prize receipt requirement change from \$50 to \$100.

A copy of the proposed rules can be found at www.gcb.state.mn.us; click on "Rules Process" under Quick Links

Please submit any questions or comments in writing to Peggy Orren at peggy.orren@gcb.state.mn.us or mail to 1711 W. County Road B Suite 300 South Roseville MN 55113

Rules process timeline:

- ✓ July 18, proposed rules sent to the Revisor of Statutes to keep the timeline on track
- ✓ July 24, Rules Committee meeting
- ✓ August 19, full Board meeting
- ✓ After August 19, send rules and sonar to Governor's office for review and to MMB
- ✓ September, Governor's review
- ✓ October, prepare Notice of Intent to Adopt Rules for November publication in the *State Register*
- ✓ November, publish Notice of Intent to Adopt; 30-40 day wait
- ✓ December, send rules and sonar to Administrative Law Judge for review
- ✓ Once ALJ reviews, it's either approved, disapproved, or make ALJ-recommended changes
- ✓ The Governor then gets a veto period
- ✓ Publish Order Adopting Rules in the *State Register*
- ✓ Rules effective 7 days after Order is published in the *State Register*

Gambling Control Board
Suite 300 South
1711 West County Road B
Roseville, MN 55113

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State offices will be closed on September 2, 2013; November 11, 28, 29, 2013; and December 25, 2013.

Trends in Lawful Gambling Gross Receipts

NOTE: Figures for the current calendar year are subject to change due to amended, corrected, or late tax returns.

	Calendar Year 2013	% Change from 2012	Calendar Year 2012	% Change from 2011	Calendar Year 2011
January	\$90,752,000	5.9%	\$85,725,000	7.5%	\$79,741,000
February	\$91,346,000	-0.1%	\$91,452,000	13.8%	\$80,385,000
March	\$108,887,000	8.2%	\$100,646,000	7.2%	\$93,844,000
April	\$105,225,000	12.5%	\$93,531,000	3.4%	\$90,491,000
May	\$106,283,000 ¹	17.5%	\$90,490,000	6.2%	\$85,188,000
June			\$87,017,000	9.0%	\$79,815,000
July			\$87,668,000	4.8%	\$83,646,000
August			\$91,075,000	7.8%	\$84,507,000
September			\$89,836,000	6.4%	\$84,458,000
October			\$93,134,000	6.0%	\$87,850,000
November			\$93,371,000	10.9%	\$84,228,000
December			\$96,527,000	8.8%	\$88,730,000
YTD Total	\$502,493,000	8.8%	\$1,100,472,000	7.7%	\$1,022,883,000

¹ 98.8% reporting.

Note: June 2012 and prior figures provided by MN Dept. of Revenue.

Gambling Control Board www.gcb.state.mn.us
Roseville 651-639-4000
St. Peter 507-931-5112
Hibbing 218-262-7301
Fergus Falls 218-739-7402

Department of Revenue www.taxes.state.mn.us
Lawful Gambling Tax Unit 651-297-1772
Email: lawfulgambling.taxes@state.mn.us

Department of Public Safety www.dps.state.mn.us
Alcohol & Gambling Enforcement 651-201-7500

Internal Revenue Service

Forms 1-800-829-1040
Questions 651-312-7716

Minnesota's Bookstore www.minnesotasbookstore.com
..... 651-297-3000; 1-800-657-3757

Minnesota Problem Gambling Helpline.....www.nojudgment.com.....1-800-333-HOPE